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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

December 13, 2010

The Executive Committee of the University of South Carolina Board of Trustees met on Monday, December 13, 2010, at 8:30 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Dr. C. Edward Floyd; Mr. Toney J. Lister; Mr. John C. von Lehe, Jr.; and Mr. Eugene P. Warr, Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. W. Lee Bussell, Sr.; Mr. Greg Gregory; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Dr. C. Dorn Smith, III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; and Mr. Charles H. Williams.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Academic Affairs and Provost Michael D. Amiridis; Vice President for Finance and Planning William T. Moore; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President of Communications Luanne M. Lawrence; Vice President of Development and Alumni Relations Michelle D. Dodenhoff; Vice President for Information Technology and Chief Information Officer William F. Hogue; Interim Administrator for the Division of Human Resources Judith Owens; General Counsel Walter (Terry) H. Parham; University Treasurer Susan D. Hanna; Special Assistant to the President J. Cantey Heath, Jr.; Associate Vice President for Resource Planning Edward L. Walton; Associate Vice President for Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Senior Vice Provost Christine W. Curtis; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Upstate John C. Stockwell; Executive Vice Chancellor of Academic Affairs, USC Beaufort, Harvey Varnet; Dean of the School of Music and Interim Dean of the South Carolina Honors College C. Tayloe Harding Jr.; Dean of the School of Medicine Richard A. Hoppmann; Dean of the College of Nursing Peggy O. Hewlett; Dean of the School of Law Walter F. Pratt, Jr.; Dean of USC Lancaster John Catalano; Dean of USC Sumter C. Leslie Carpenter; Dean of USC Salkehatchie Ann Carmichael; Senior Associate Dean for Natural Sciences Roger H. Sawyer; Senior Associate Dean of Academic Affairs, Arnold School of Public Health, Cheryl L. Addy; Associate Vice President for Facilities Tom Quasney; Assistant Provost for Academic Programs Kris H. Finnigan; Assistant Dean Undergraduate Studies-Humanities, Arts, and Social Sciences in the College of Arts and Sciences Mary Ann Byrnes; Executive Associate Athletics Director Kevin O'Connell; Director of Capital Budgets and Financing, Division of Business and Finance, Charles D. FitzSimons; Controller, Division of Finance and Planning, Patrick Lardner; Chief Financial Officer, Department of Athletics, Jeff Tallant; Special

Assistant to the President and Director of Athletics John D. Gregory; Chair of the Faculty Senate Patrick D. Nolan; Associate Director of Governmental Affairs and Legislative Liaison Casey Martin; Director of Financial Reporting Mary Peak; Representatives from Barclays Capital Brian Frankel; John Augustine; Bond Counsel Theodore B. DuBose of Haynsworth Sinkler Boyd Law Firm, PA; Director of the Office of Media Relations Margaret Lamb; University Technology Services Production Manager Justin Johnson; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy; and members of the media.

Chairman Loadholt called the meeting to order and invited those present to introduce themselves. Ms. Lamb introduced members of the press who were present.

Chairman Loadholt stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business.

Chairman Loadholt stated that there was a personnel matter which was appropriate for discussion in Executive Session.

Mr. Adams moved to enter Executive Session. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: President Pastides, Secretary Stepp, Dr. Moore, Dr. Amiridis, Ms. Owens, Dr. Pruitt, Dr. Hogue, Dr. Kresovich, Dr. Plyler, Dr. Curtis, Ms. Lawrence, Ms. Dodenhoff, Mr. Parham, Mrs. Hanna, Mr. Heath, Mr. Walton, Ms. Brunelli, Mr. Gregory, Mrs. Martin, Ms. Mills, Mrs. Lamb and Ms. Clark.

Return to Open Session

I. Contracts Valued in Excess of \$250,000: Chairman Loadholt called on Mr. Parham to present the three contracts for the Committee's consideration.

A. Arius3D, Inc.: Mr. Parham reported that the School of Library and Information Science sought Board approval to enter into a contract with Arius3D. This company was a leader in three dimensional color digital laser scanning technology. The imaging software would produce high resolution images. Under the agreement, Arius3D would provide to the University free of charge the use of its laser scanner and imaging software for a period of five years. In addition, they would maintain the ownership of the scanner and would be responsible for maintaining the equipment, maintaining insurance and providing training in the proper use of the equipment at no charge to the University.

Once the equipment was received, the School of Library and Information Science would create a USC Arius3D Imaging Center. The Center would scan a wide variety of "physical objects" owned by the University beginning with the Catawba Pottery collection, Civil War relics and other objects. These images would be maintained in a digital library by Arius3D that would be available for public viewing. Anyone who wants to publish or make use of these images would have to purchase a license agreement with Arius3D and the revenue would be shared with the University. For licenses of images scanned for a single defined high resolution purpose, the University would receive 15 percent of "net revenue." For images that were used for a lower quality non-professional use, the University would receive 10 percent of "net revenue."

Arius3D is the leader in 3D image scanning and their images were currently being used in museums, feature films, video games, educational opportunities, marketing and advertising, and product design.

The University would own the Copyright of the images that were being scanned and would have free access to the digital library to use the images for educational research and non-commercial uses. USC would give Arius3D 10 percent of any revenues that the University generated.

Mr. Parham stated that this contract was the result of the procurement code. The University issued a RFP and Arvius3D was the sole bidder because they were the leader in the industry. The contract could be terminated by either party at any time on a 30-day written notice. At the end of five years, the University could renew the agreement.

Mr. Lister moved to approve the contract as distributed in the meeting materials. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

B. Microsoft Licensing Agreement: The request was to approve a three year master campus software license agreement with Microsoft. The software would be provided to the University through a company by the name of the Compusult. Under the agreement, which would be in effect through December 2013, Microsoft would license to

the University the continuing right to use the latest Microsoft technology including the Windows operating system, the Microsoft Office Suite products, campus Desktop, Windows, Office Professionals and their email system on all University owned and leased computers on all eight campuses. University faculty, students and recognized guests could install duplicate copies of this software on their personal computers when they were using those computers for university business purposes. Finally, the agreement allowed the University faculty and staff to purchase software at a reduced cost for their personal computers. The cost of the software being licensed to the University was based on the actual student, faculty, staff, FTES and guests. Therefore, the first year of the three year contract would cost the University \$379,276. The cost for years two and three would be adjusted based on the actual number of students. Over three years, the total cost of the contract would be approximately \$1,137,828.60. Each campus would pay their own portion based on their numbers; and the Columbia campus would use A-funds to fund this expense.

Mr. von Lehe moved to approve the contract as distributed in the meeting materials. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

C. Indefinite Delivery Contracts: The University used Indefinite Delivery Contracts (IDCs) as a way to have companies readily available to respond to construction projects as needed on campus. The contract terms were identical and contained the terms and conditions established by the State of South Carolina for a two-year period. According to state regulations, the university could not pay any one company more than \$300,000 plus \$60,000 for expenses during that two year period. Nor could the university pay any one company more than \$100,000 for any one project during the two-year period. Mr. Parham stated that these companies would be on standby and the University was not under any obligation to use any of them.

The companies included for IDC Civil Engineering and Surveying Services are as follows: S&ME, Inc.; ECS Carolinas, LLP; F&ME Consultants; GS2 Engineering & Environmental Consultants, Inc.; Wilbur Smith Associates; Cox and Dinkins, Inc.; B. P. Barber & Associates, Inc.; Chao & Associates, Inc.; American Engineering Consultants, Inc.; Keck & Wood, Inc.; and Dennis Corporation.

Dr. Floyd moved to approve the contracts as distributed in the meeting materials. Mr. Lister seconded the motion. The vote was taken, and the motion carried.

II. Mandatory Study Abroad Insurance Fee: Chairman Loadholt called on Dr. Moore who proposed for board consideration a mandatory Study Abroad Insurance Fee. This off-cycle fee would be \$360 per year and would be implemented January 1, 2011.

In June 2010, the Board approved a fee that was "to be determined" pending completion of a RFP (Request for Proposal) for providing mandatory insurance for all students participating in study abroad. The RFP had been concluded and a fee had

been established based on an annual rate of \$360.

By participating in an overseas program sponsored by USC-Columbia, students would automatically be enrolled in a specialized emergency medical insurance coverage plan for the duration of their program abroad. Insurance coverage was provided by Cultural Insurance Services International, an organization dedicated to providing insurance specifically to students traveling abroad. This plan was not intended to take the place of primary health insurance coverage. It was only supplemental and intended to provide coverage specific to overseas travel.

Many domestic insurance policies did not cover students while abroad. In addition, most policies did not provide assistance should a natural disaster or political uprising occur, or should a student in a remote area need to be airlifted to medical facilities. By requiring insurance specific to overseas travel, the University was able to ensure that all students going abroad would have emergency medical insurance in line with industry standards and best practices in the field. This policy was coordinated with our student health insurance plan, Pearce and Pearce. Pearce and Pearce was consulted initially and determined that they could not provide the detailed level of emergency evacuation, in-country expertise, and other risk management services required. This policy was supplemental and was consistent with best practices at other institutions.

All USC Columbia undergraduate students who would be earning credit abroad would be required to purchase this insurance. This included any overseas study, research, service learning, or similar activities for which students would be earning credit. Those students graduate and undergraduate, who were going abroad for scholarly purposes but not earning credit had the option of purchasing this insurance as well.

Furthermore, students could be billed a portion of the \$360 fee based on the pro-rated amount of time traveling abroad. Students would be automatically billed for this insurance. The charges for this insurance coverage corresponding to the duration of their overseas program would be posted to their VIP account and paid for prior to departure. Following was the fee schedule according to term abroad:

<u>Term</u>	<u>Coverage Dates</u>	<u>Cost</u>
Spring Semester	January 1 - June 30	\$180
Fall Semester	July 1 - December 31	\$180
Academic Year	July 1 - June 30	\$360
Spring Break	Dates of Spring Break (inclusive of weekends before and after)	\$ 30
Maymester	May 1 - 31	\$ 30
Summer I	June 1 - June 30	\$ 30
Summer II	July 1 - July 31	\$ 30

Students who believed that they had insurance coverage that would meet the minimum requirements of the USC policy could attempt to waive this requirement by completing the formal waiver process. Completion of this waiver process would not guarantee that a waiver would be granted.

Mr. von Lehe moved to approve the mandatory insurance fee as presented. Mr.

Lister seconded the motion. The vote was taken, and the motion carried.

III. Periodic Debt Report: Chairman Loadholt called on Dr. Moore who gave an overview of the University's periodic debt report. He stated that the report was an effective way to review the University's strategic long-term finances and update on market conditions and the status of outstanding debt to include covenant obligations and financing opportunities such as refunding opportunities.

Dr. Moore introduced and thanked Barclays' representatives John Augustine, Christoph Muelbert and Brian Frankel who helped the University prepare the debt capacity analysis report.

The University's Bond Indebtedness by category was approximately \$448.9 million. A breakdown was as follows: \$361 million (Columbia), \$41 million (USC Aiken), \$46 million (USC Upstate), \$75,000 (USC Beaufort), \$265,000 (USC Sumter). A debt capacity study had been completed by the Barclays team who had been working on it since February. The Debt Capacity Study addressed the question of how much debt could the University System take on and still maintain its Aaa credit rating.

Dr. Moore discussed the three types of primary credit for USC, credit ratings by agencies as follows: State Institution Bonds Aaa (Moody's) AA+ (S&P) and AAA (Fitch), Athletic Facilities Revenue Bonds Aa3 (Moody's), and Higher Education Revenue Bonds Aa2 (Moody's) and AA (Fitch).

Dr. Moore stated Moody's placed greater emphasis on the importance of governance and management in assessing credit ratings. Moody's as well as other credit rating agencies also looked carefully at the state funding environment for public universities. Another category that Moody's and all rating agencies were looking at was pricing flexibility and student demand. He stated that our student demand was excellent but the pricing flexibility was not.

Dr. Moore stated that there were 550 public four-year institutions in the United States and Moody's had rated 220 of the public colleges and universities. Of the 220, there were (64) rated A1, (43) Aa2, (41) Aa3, (32) A2, (15) Aa1, (14) A3, (8) Aaa which included Michigan and Virginia, and (3) Baa1 and below.

In addition, Dr. Moore reported that the key credit rating determinants for USC were as follows: Financial Statement Analysis (30 percent), State Support (30 percent), Governance and Management (25 percent), and Student Demand (15 percent).

The University's Debt Capacity referred to the range of additional debt an institution could issue at a particular rating level without receiving a downgrade assuming that factors other than financial ratios remained the same.

In closing, Dr. Moore responded to various questions from the members.

Chairman Loadholt stated that the report was received for information.

IV. Other Matters:

A. State Institution Bond Resolution: Chairman Loadholt called on Dr.

Moore who presented for board consideration a State Institution Bond Resolution authorizing up to \$26 million for construction and renovation projects on the Columbia, Aiken and Beaufort campuses. The projects on the Columbia campus were: Darla Moore School of Business (\$15 million); Jones Physical Science Center Renovations (\$2.5 million); Gambrell Hall Renovations (\$2 million); and Health Sciences Building Renovations (\$1.8 million). The USC Aiken Campus projects included Elevator Renewal (\$250,000); Penland Cooling Tower Repairs (\$210,000); and Etheridge Center Renovations (\$440,000). The USC Beaufort project was the Hargray Renovation and Library Unfitting for \$2.8 million.

Dr. Moore stated that the Resolution was prepared by Haynsworth Sinkler Boyd Law Firm, PA. He thanked the firm for their excellent work and acknowledged Bond Counsel Theodore Dubose.

Mr. Adams moved to approve the Bond Resolution as submitted in the meeting materials. Mr. Lister seconded the motion. The vote was taken, and the motion carried.

B. Resolution for Budget and Control Board Approval of Revenue Bonds:

Dr. Moore presented a Resolution requesting approval of the State Budget and Control Board of the issuance by the University of South Carolina of Higher Education Revenue Bonds not to exceed \$80,000,000 for a portion of the construction costs of the Darla Moore School of Business project on the Columbia campus pursuant to Title 59, Chapter 147, Code of Laws of South Carolina 1976 as amended.

Mr. Adams moved to approve the Resolution as stated in the materials for the meeting. Mr. Lister seconded the motion. The vote was taken, and the motion carried.

Since there were no other matters to come before the Executive Committee, Chairman Loadholt declared the meeting adjourned at 9:50 a.m.

Respectfully submitted,

Thomas L. Stepp
Secretary